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C O N F I D E N T I A L SECTION 01 OF 02 BAKU 000880

SIPDIS

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TAGS: [ENRG](#) [PREL](#) [AJ](#) [IR](#) [TX](#)

SUBJECT: AZERBAIJAN: LITTLE PROGRESS ON CASPIAN
DELIMITATION; CASPIAN SUMMIT WILL NOT HAPPEN THIS YEAR

REF: BAKU 865

Classified By: DCM Donald Lu, for reasons 1.4 (b,d).

11. (C) Summary: During a September 15 meeting, Deputy Foreign Minister Khalaf Khalafov related that no progress in resolving the Caspian delimitation issue resulted from the latest meeting of the five Caspian state working group held in Baku on September 4-5. He claimed, however, that constructive discussions of Caspian environmental, security, and other agreements occurred. Despite recent Iranian reports, Khalafov stated that no summit meeting of the five Caspian presidents is possible in 2008. He cited a lack of progress and preparation as the reason. Khalafov dismissed recent Iranian and Turkish Caucasus stability proposals as hazy, unrealistic, and ultimately unserious. End Summary.

For the 23rd Time, No Progress on Delimitation

12. (C) The DCM met with GOAJ Deputy Foreign Minister Khalafov in Baku on Monday, September 15. Khalafov said no progress on Caspian Sea delimitation was reached during the recent Baku-hosted meeting of the 5-party Caspian Sea Working Group -- the twenty-third time this group (consisting of Deputy Ministers from the governments of Azerbaijan, Russia, Kazakhstan, Turkmenistan, and Iran) has met. Khalafov said there was no movement on the part of either Iran or Turkmenistan toward the delimitation position jointly held by the other three Caspian states (which signed agreements with each other in 2003), and that both continued to hold their traditional positions.

But Potential Progress on Other Caspian Issues

13. (C) Stressing that these meetings are "not only about delimiting the Caspian sea bed," Khalafov claimed that useful discussions had taken place on a variety of other Caspian Sea issues, including notional joint agreements on environmental protection, fishing and other "surface access" rights, security cooperation, and military use/naval issues. Khalafov indicated that none of these negotiations have reached a final stage, and called the notional security and military agreements particularly complicated and challenging, with "hundreds" of details to be worked out. Nonetheless, he expressed satisfaction that the five states are studying these issues together in a healthy, professional atmosphere.

No Caspian State Summit Meeting Before 2009

14. (C) Khalafov dismissed recent Iranian government assertions that a Caspian Summit of the five presidents will be held in Baku this October or November. While agreeing that it is Azerbaijan,s turn to host such a meeting (the last was held in 2007 in Teheran), he expressed doubt over the value of doing so in the absence of any significant progress in matters of mutual interest. In any event, he noted, a great many preparatory logistics and other steps must precede such a high-level meeting, and stated that the summit could not realistically occur before 2009.

Baku Energy Conference Very Successful

15. (C) Khalafov called the September 9-10 trans-Caspian focused Baku energy conference "very successful" (reftel). He said that the conference was attended by high-level delegations from Azerbaijan, Turkmenistan, Iran, the U.S. and other states, as well as representatives of several major international oil companies, and expressed disappointment that Russia and Kazakhstan had sent relatively low-level, "passive" delegations. Khalafov opined that the conference was potentially very effective in expanding Turkmenistan,s international energy business sophistication and comfort level, adding that it also complemented very well Azerbaijan,s efforts to improve its bilateral relationship and cooperation with the Turkmen.

Side Talks with Turkmenistan

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16. (C) In this context, Khalafov said that the GOAJ had several side discussions with Turkmenistan representatives. The GOAJ felt that progress was made both in strengthening general cooperation and in movement toward specific bilateral agreements on telecommunications, ecology, and energy issues. He expressed hope that the GOT is beginning to realize the breadth of the GOAJ,s desire for a friendly relationship in which all mutual problems issues may be discussed in a constructive atmosphere. He pointedly remarked that the GOT should realize that "there is no need for international law courts to resolve our differences," (Note: This is a reference to the GOT,s ongoing effort to obtain an international court ruling against Azerbaijan on the issue of ownership of the Sardar-Kyapaz offshore gas field. End Note).

17. (C) Khalafov observed that the existence of unresolved bilateral issues between the two states should not be a bar to good relations between the two state presidents, nor (as some have suggested is Turkmenistan,s position) should progress in resolving these issues be held hostage to the timing of reciprocal inter-state visits by these presidents. (Note: President Berdimuhamedov of Turkmenistan visited Baku in May, 2008; Azerbaijan,s President Aliyev is tentatively planning to return this visit in early 2009 (see reftel). End Note).

Iranian Engineering Assistance

18. (C) Khalafov confirmed a public assertion made on September 7 by Iranian Deputy Energy Minister Rasul Zargar that the Government of Iran is assisting Azerbaijan in the construction of a new hydroelectric plant. Khalafov explained that this is a 36-megawatt plant located on the border between Iran and Nakchivan, and intended to provide needed electricity to the inhabitants of that enclave. Khalafov described the support as basically technical, and related to a larger hydro construction project being undertaken by the Iranians on their side of the border.

Iranian and Turkish Caucasus Proposals Unrealistic

¶9. (C) The DCM asked Khalafov about the previously unannounced visit of Iranian Foreign Minister Manuchehr Mottaki to Baku on September 13, during which Mottaki held separate meetings with President Ilham Aliyev and Foreign Minister Elmar Mammadyarov. After the meetings Mottaki told the press that he discussed Caucasus stability, and said that he had presented some new proposals for resolving issues in that region. Without providing details, Khalafov laughingly dismissed the Mottaki,s proposals as lacking in specifics or substance, on a par with recent Turkish Government suggestions on this topic, the utility of which he also dismissed. Khalafov speculated that the GOI is essentially responding to the Turkish initiative (which does not include an explicit role for Iran) by coming up with an equally poorly thought-out one of its own.

10 (C) Khalafov asserted that both of these proposas lack realism and practicality. For example, h said that Georgia would not accept participation in a regional group that includes representatives of Abkhazia and South Ossetia (which Khalafov said is Russia,s position on the Turkish proposal). He added that similarly Azerbaijan would not be willing to accept Armenian participation in such a group in the absence of any withdrawal of Armenian forces from the occupied territories.

¶11. (C) Comment: Khalafov said that he has personally participated in 20 of the 23 rounds of meetings on Caspian demarcation. He rolled his eyes at the prospect of any near term significant progress in this five-party format. Clearly, the Azeris are working hard on improving relations with Turkmenistan in the hopes that energy transit and perhaps longer-term a two-party demarcation agreement might be possible.
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